Before the
Federal Communications Commission
Washington, D.C. 20554

In the Matters of	)	
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Comprehensive Review of Universal Service Fund Management, Administration, and Oversight	)	WC Docket No. 05-195
	)	
Federal-State Joint Board on Universal Service	)	CC Docket No. 96-45
	)	
Schools and Libraries Universal Service Support Mechanism	)	CC Docket No. 02-6
	)	
Rural Health Care Support Mechanism	)	WC Docket No. 02-60
	)	
Lifeline and Link-Up	)	WC Docket No. 03-109
	)	
Changes to the Board of Directors for the National Exchange Carrier Association, Inc.	)	CC Docket No. 97-21

COMMENTS OF CENTURYTEL, INC.

CenturyTel, Inc., on behalf of its subsidiaries (collectively, "CenturyTel"), offers its Comments in response to the Commission's Notice of Proposed Rulemaking and Further Notice of Proposed Rulemaking ("Notice") in the above-captioned proceedings.[1]

I. Introduction and Summary

In the Notice, the Commission broadly seeks comment on any actions the Commission could take to improve management and administration of the federal universal service support program. As a significant provider of service to rural and high-cost areas of the nation, as well as to low-income consumers, CenturyTel is a recipient of support from the high-

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1 *Comprehensive Review of Universal Service Fund Management, Administration, and Oversight*, WC Docket No. 05-195, Notice of Proposed Rulemaking and Further Notice of Proposed Rulemaking, FCC 05-124 (rel. June 14, 2005).

cost and low-income, schools and libraries, and rural health care support mechanisms. In addition, CenturyTel is a significant universal service contributor. As a result, CenturyTel has gained substantial experience with the administration of the universal service collection and distribution mechanisms.

As a general matter, CenturyTel commends both the Universal Service Administrative Company ("USAC") and the National Exchange Carrier Association ("NECA") for outstanding work in efficiently administering the universal service mechanisms. USAC has done a commendable job with the difficult and important job of evenhandedly administering complex federal universal service support mechanisms, even as these mechanisms have continually evolved since passage of the Telecommunications Act of 1996. In addition, as a participant in the NECA pools, CenturyTel relies on NECA for a range of financial services, including payment of its regulatory fees and other obligations, including reporting data on behalf of CenturyTel to USAC. In addition, as CenturyTel's agent, NECA receives high-cost and low-income support payments on CenturyTel's behalf from USAC.

In the Notice, the Commission seeks comment specifically on "ways we can improve the management, administration, and oversight of the USF programs, including the billing and collection process and the process of disbursing funds."[2] In these comments, CenturyTel urges the Commission to adopt two incremental reforms. *First*, the Commission should adopt "yellow light" safeguards to reduce erroneous application of the Commission's "red light rule" to companies regulated by the Commission. *Second*, the Commission should require USAC to provide supporting detail for any adjustments it makes to a carrier's support payments.

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[2] Notice at para. 32.

II. The Commission Should Adopt "Yellow Light" Safeguards to Reduce Erroneous Imposition of "Red Light" Penalties on Regulated Carriers

In 2004, as part of its implementation of the Debt Collection Improvement Act of 1996, the Commission adopted rules designed to encourage companies under its jurisdiction to remain current on non-tax debts to the federal government.[3] Among these, the Commission adopted the "red light rule," under which "anyone delinquent in any non-tax debts owed to the Commission will be ineligible for or barred from receiving a license or other benefit until the delinquency has been resolved by payment in full . . . ."[4] Under this rule, among other things, delinquent companies are ineligible to receive support payments from the federal universal service mechanisms.[5] Separately in 2004, the Commission extended this rule to reach all beneficiaries of the Schools and Libraries support mechanism.[6]

While CenturyTel appreciates the goal of the red light rule, in practice, the rule has essentially malfunctioned, imposing substantial accounting and financial uncertainties on universal service support recipients that are erroneously red lighted by the Commission. It has been CenturyTel's experience that far too frequently, the Commission places a carrier in red light status because of errors in its own revenue accounting system, rather than because of any

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3 *Amendment of Parts 0 and 1 of the Commission's Rules; Implementation of the Debt Collection Improvement Act of 1996 and adoption of Rules Governing Applications or Requests for Benefits by Delinquent Debtors*, MD Docket No. 02-339, Report and Order, FCC 04-72 (rel. Apr. 13, 2004) ("*Red Light Order*"), at para. 2.

4 *Id.* at para. 3; *see* 47 U.S.C. § 1.1910(b).

5 47 U.S.C. § 1.1901(b) (defining the terms "agency" and "Commission" to include, among other things, the "Universal Service Fund").

6 *Schools and Libraries Universal Service Support Mechanism,* CC Docket No. 02-6, Fifth Report and Order, FCC 04-190 (rel. Aug. 13, 2004), at para. 42.

delinquency on the part of the carrier.[7] These red light penalties create significant concerns for carriers such as CenturyTel because they interrupt vital universal service support payments for an indefinite period of time and because they require CenturyTel to expend its limited resources reconciling documentation with the government.

This burden is especially troubling because, in every case but one, CenturyTel has been able to demonstrate that it is current in its obligations. CenturyTel has identified only one instance, in 2004, where the Commission placed it in red light status because it was in fact delinquent in a payment to the Commission. In that case, CenturyTel received notice in November, 2004, that its September 2004 payment to USAC was $0.14 less than the invoiced amount. Upon receipt of the notice, CenturyTel immediately paid the outstanding debt, which totaled less than half of the cost of the postage stamp needed to mail it.

In many cases, neither USAC nor the Commission has been able to explain why a particular CenturyTel LEC has been red-lighted. In some cases, however, CenturyTel has received an explanation. These have included a posting error by Mellon Bank[8] and USAC's failure to account properly for CenturyTel's return of USAC's "refund" of an erroneous credit balance.[9] These problems frequently take months to resolve, during which time USAC suspends the affected company's universal service support payments.

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[7] Collectively, the Commission has erroneously red lighted CenturyTel LECs 18 times in the past year alone.

[8] In September 2005, this posting error affected NECA's payment of Commission fees on behalf of its member companies, generated seven red light notices affecting CenturyTel LECs alone, and undoubtedly affected many other NECA member companies.

[9] After USAC "refunded" an erroneous credit balance to CenturyTel of Adamsville (Tenn.), created by a misapplied payment, the company returned the check to USAC in less than four weeks. USAC did not properly account for the returned funds, however. As a result, USAC assessed the company "late fees" associated with this amount for four months thereafter, and the company was placed in red light status for refusing to pay these wrongly-assessed fees.

Errors like this go well beyond USAC and also have the potential to adversely affect a company's ability to borrow funds or obtain credit. The industry is rightfully in an era when accountability and responsible stewardship for receipt of universal service support is of critical importance to the stability of the industry and the universal service framework. At a time when policymakers, rate payers, shareholders, and creditors expect and demand increased accountability and responsible business management, a history of alleged delinquencies in routine payments to the government can undermine a carrier's credibility, impact its credit-worthiness, and lower the confidence of its investors. If potential creditors, credit rating agencies, or others with whom the company does business request to investigate a company's red light history, the Commission's red light display system makes no distinction between instances when a company was placed in red light status erroneously, and those when it was actually delinquent. In such a case, a long list of erroneous red light actions, even if resolved in the company's favor, could adversely affect a company's credit.

Thus, CenturyTel urges the Commission to adopt the following safeguards that would improve the Commission's process to the benefit of both carriers and USAC.: *First*, the Commission should establish a "yellow light" process as an intermediate step to allow document reconciliation when the Commission's automated systems indicate a potential delinquency. Under this process, when the Commission's automated systems identify a company as being potentially delinquent, it would be placed in "yellow light" status, not red, for up to 30 days. During this time, the company's universal service support payments would not be suspended, and the company (or its agent) and the Commission (or USAC) will consult to determine the cause of the potential delinquency. *Second*, if an actual delinquency is identified, the company should not be placed in red light status unless the delinquent amount exceeds a materiality

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threshold, such as $1,000.00. Consistent with the statutory amendments enacted by the Debt Collection Improvement Act, a materiality threshold would conserve Commission and company resources that, today, are spent to chase debts that, as in CenturyTel's case, are measured literally in nickels and dimes.[10] The company would still be responsible to rectify the delinquency, but its credit and universal service funding would not be placed in jeopardy for a minor discrepancy. *Third*, when the company is once again returned to "green light" status, the Commission's red light display system should identify cases where the yellow or red light was triggered in error. *Fourth*, the Commission should identify a single point of contact (at the Commission or USAC) that can assist the company with identifying why the company has been identified as having a potential delinquency.

Each of these safeguards would be consistent with the underlying purposes of the red light rule. Unlike Commission actions on petitions, license applications, and other discrete requests, universal service support payments recur at regular intervals. A one-month delay before suspending these payments and imposing red light status on the company would in no way reduce the Commission's ability to impose pressure on a truly delinquent debtor. CenturyTel's intent in suggesting a "yellow light" status is to improve the overall process for both carriers and USAC. By adopting a "yellow light" process and the other safeguards described above, the Commission would not only achieve the underlying purposes of the red light rule, but would also increase the predictability of support, minimize the impact on support recipients of erroneous red light penalties, and create additional due process that would increase the reliability of today's error-prone system.

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[10] *See* 31 C.F.R. § 903.1 (authorizing suspension or termination of collection actions for debts that do not exceed $100,000, or such other amount as the Attorney General may direct); 47 C.F.R. § 1.1916 (adopting the standards set forth in 31 C.F.R. Part 903); *Red Light Order*, at para. 2.

III. USAC Should Provide Supporting Detail for Adjustments It Makes to Universal Service Support Payments

Frequently, to "true up" past support payments, to reflect updated cost information, or for some other reason, USAC makes adjustments to a carrier's universal service support amounts. These may be one-time adjustments, or they may reflect a change in the recurring support amount the carrier receives. USAC, however, does not routinely explain the basis for the adjustment to the recipient carrier or its authorized agent (such as NECA) for receipt of support payments.

The Commission should require USAC to provide such supporting detail. It is often difficult or impossible for the recipient carrier independently to determine the basis of the adjustment and verify its accuracy. The ability to do so is particularly important for a publicly-traded company, such as CenturyTel. For example, on the November 2004 NECA Cash Disbursement Statement, NECA indicated that USAC had made an upward adjustment of $3,194,720 to the high cost support provided to CenturyTel of Southern Alabama. This payment, if booked by CenturyTel in November, would have had a significant impact on CenturyTel's reported earnings per share for the year, yet USAC was unable to explain the basis for the adjustment when questioned by CenturyTel. At the end of December 2004, USAC determined that the adjustment had been made in error, and requested its return, which CenturyTel did before the end of the year. Because such errors can have significant effects on a company's earnings, make it difficult for management to prepare accurate financial statements, and potentially expose the company to legal risks as a result, USAC should be required to explain the basis for adjustments to its universal service support distributions to a recipient company or its authorized agent, so that the recipients are better able to understand the source of the change.

In an extreme example, USAC completely suspended Interstate Common Line Support ("ICLS") support to Telephone USA of Wisconsin, a CenturyTel affiliate, beginning in July 2004. In November, 2004, after CenturyTel noticed the problem and asked USAC for an explanation, USAC explained that its records showed that it had not received Telephone USA of Wisconsin's annual universal service certification. CenturyTel immediately notified USAC that the certification had been filed on a timely basis, and USAC acknowledged the error. Nevertheless, it was not until January 2005 that CenturyTel received ICLS support for Telephone USA of Wisconsin, retroactive to July 2004.

If USAC were required to provide notice of adjustments, including suspensions like the one described above, and documentation for the basis of the adjustment, this improved communication with carriers would yield tremendous benefits. USAC's administration of the universal service mechanisms would operate far more smoothly, allowing a carrier to verify the accuracy of adjustments to its universal service support levels, eliminating the "guessing game" that prevails today, and providing notice of missing filings or other administrative problems *before* the carrier's support is suspended. Indeed, USAC apparently followed just such a process when its records showed that CenturyTel of Central Wisconsin apparently had not made its required Form 498 filings. Within 24 hours of being notified of this problem, the problem was resolved, with USAC determining that the filings had in fact been made in a timely manner, and without any interruption in CenturyTel's universal service support.[11]

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[11] On March 9, 2005, CenturyTel received a "Universal Service High Cost Non-Compliance Notification" stating that CenturyTel of Central Wisconsin had not submitted completed Form 498 filings to USAC. On March 10, 2005, CenturyTel contacted USAC indicating that the form had been submitted in June 2004 and revised in November 2004. Although USAC requested CenturyTel resubmit the form, CenturyTel asked USAC to search its records first. USAC contacted CenturyTel that same day to confirm that it had the reports in its files, that the notice was a mistake, and no additional action was required.

IV. Conclusion

While CenturyTel commends USAC and NECA for generally outstanding work administering a difficult and constantly evolving universal service support mechanism, CenturyTel also recommends that the Commission: (1) adopt the "yellow light" process and other safeguards described above to minimize erroneous application of the Commission's red light rule, as discussed above; and (2) require USAC to provide supporting detail explaining the basis for any adjustments to a carrier's universal service support levels.

Respectfully submitted,

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